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Property Markets

The Bank of England's Monetary Policy Committee (MPC) voted in April 2006 to once again maintain interest rates at 4.5%. Despite a backdrop of interest rate stability (the last interest rate movement was a reduction of 0.25 percentage points occurring in August 2005), the housing market continues to answer to its own unpredictable drumbeat. In addition to the inflationary pressure of rising energy prices, the householder now faces substantial council tax increases, which have to be swallowed by both tenants and house owners alike. The Halifax points out that in the financial year 2004/05 the cost of running a household increased by 7% which is more than triple the rate of inflation. Taking these factors into consideration and adding to them a weakening labour market and the effect of already high house prices in the face of stable or slower growing earnings, the Halifax had predicted that UK house prices would rise by only 3% in 2006; considerably muted compared to the rises experienced in 2002 (26%) and 2004 and 2005 (15%). However this forecast is already out of date with annual house price inflation reaching 6.2% as prices rose in March by just under 1%. On the current reading the housing market has completed the momentary slowdown experienced towards the end of last year, and now has a 'spring in its step'.

Figure 4: House Prices Index. All Houses – All Buyers Seasonally Adjusted (1983=100).



Source: Halifax House Price Index

Table 6 shows the picture for the regions. In the first quarter of 2006 the most substantial house price rises were experienced in Wales (4.5%), East Anglia (3.4%) and East Midlands (3.0%). In East Midlands and in Wales the average house price exceeded £150,000 for the first time, so that only North, Yorkshire and Humber, North West and Scotland have average house prices below £150,000. The North was the only region to experience a drop in house prices in Q12006, but the Halifax takes great pains to point out that this should not be considered to mark a downward trend especially as the region has experienced a 147% rise in average price over the last five years.

While house price growth in Greater London was greater last year (7%) than the year before (1.1%), the northern half of Great Britain has continued to catch up with the south, with the result that the north/south divide is the narrowest it has been for over eight years. In early 2003 the average house

in the north was £99,000 less valuable than a house in the south, a difference which has now shrunk to £79,400.

Table 7 shows average house price values in Welsh local authorities from December 2004 to December 2005, and their percentage change, revealing some mixed fortunes. Gwynedd experienced the highest rise of 15% over the twelve months, Merthyr Tydfil, Blaenau Gwent, and Bridgend a rise of 10%, with Carmarthenshire and Monmouthshire (both 9%) not far behind. The average house price in Monmouthshire is now £201,142 which is some 18% higher than the average UK house price of £169,901. Of more concern are falls in house prices in eight of the authorities. The greatest falls were experienced in the Vale of Glamorgan and Wrexham (-7%) and Powys (-6%), with falls also in Cardiff, Conwy and Newport (-3%). The value of the average house in the Vale dropped from £176,808 to £164,896 and in Cardiff from over £162,000 to under

£158,000 during the period.

The Welsh town experiencing the most significant increase was Holyhead (30%), while prices in the towns of Chepstow, Cwmbran and Wrexham (-7%), appeared temporarily to be in the doldrums. At the end of 2005 the lowest average house prices were to be found in Ebbw Vale (£95,908) with the highest in Chepstow (£225,200). It should be noted, however, that non standardised quarterly figures could be substantially affected by a single high value property sale.

Of more general interest - a publicity campaign was launched in April 2006 to prepare the public for the Government's new Home Information Pack (HIP) programme, which will become mandatory in June 2007. HIPs are vendor dossiers, which will be prepared by a new breed of 'hipsters' (who are currently being recruited and trained), and will contain a full history of all maintenance work undertaken on the

Table 6 All Houses, All Buyers (Seasonally Adjusted) First Quarter 2006

Region	Index 1983=100	2006 Q1 Standardised Average Price £	2006 Q1 Quarterly Change %	2006 Q1 Annual Change %
North	555.5	140,166	-1.2	7.3
Yorks & Humber	581.7	134,307	2.2	9.3
North West	553.4	141,556	2.1	9.4
East Midlands	587.6	153,592	3.0	3.7
West Midlands	586.7	165,597	2.7	4.5
East Anglia	556.3	167,366	3.4	4.1
South West	560.2	185,216	2.0	1.7
South East	546.7	221,907	0.2	2.1
Greater London	649.2	258,511	0.5	7.2
Wales	581.7	150,527	4.5	8.8
Scotland	393.9	113,955	0.8	6.9
UK	559.8	172,979	1.6	6.2

Source: Halifax 2006

Note: these are arithmetic averages of prices for which a mortgage offer has been made. These are not standardised, and are liable to changes in the sample from quarter to quarter.

Table 7 Average House Price by Welsh Local Authority, 2004 and 2005 12 months to December

County	Average House Price - £ 2004*	Average house Price - £ 2005*	% Change 2004-2005*
Blaenau Gwent	85,885	94,069	10
Bridgend	124,276	136,221	10
Caerphilly	116,398	123,215	6
Cardiff	162,048	157,567	-3
Carmarthenshire	137,458	149,769	9
Ceredigion	154,218	164,444	7
Conwy	154,895	150,192	-3
Denbighshire	130,874	133,925	2
Flintshire	146,841	159,494	9
Gwynedd	129,457	148,299	15
Isle of Anglesey	145,172	156,580	8
Merthyr Tydfil	90,979	100,382	10
Monmouthshire	184,743	201,142	9
Neath Port Talbot	108,605	116,955	8
Newport	143,470	139,580	-3
Pembrokeshire	140,959	147,131	4
Powys	178,737	168,884	-6
Rhonda Cynon Taff	105,785	111,517	5
Swansea	137,873	135,424	-2
Vale of Glamorgan	176,808	164,896	-7
Torfaen	120,820	118,111	-2
Wrexham	145,429	135,619	-7

* 12 months to December

Source: Halifax 2006

house, a general survey, building regulations, planning permissions, and land registry details etc. The intention is that this will eradicate the duplicate effort (which is wasted when a sale falls through) that currently occurs as each potential purchaser undertakes his/her own survey, and/or valuation report for mortgage purposes. The government estimates that the HIP system will incur a cost of £635 to the seller (compared with £285 under the current system) but only £175 to the buyer compared to anything from £300 to £600 (depending on the nature of the survey). Hence, it is anticipated that buyer + seller costs will be some £75 lower under the new system.

Those less taken with the scheme point out that shifting the cost to the vendor may impact on the supply-side, and the onerous implied paperwork and the duty of care to use only accredited tradesman on house improvement works may also make people think twice about moving house. The Council of Mortgage Lenders

has also expressed concern that people could seek to sell before June 2007 creating an artificial flurry in the market. Meanwhile, to cries of 'scaremongering' The Law Society has pointed out that the sort of disclosures required in the packs could render home owners vulnerable to burglars and snoopers.

Construction News

Cardiff Bay continues to attract investment. Among the long term proposed plans (to 2020) for the Bay are a further 1.7million sq ft of office space. The first proposal includes a development of 1million sq ft of offices, leisure and retail space in addition to 1000 homes on the 38 acre Roath Basin, which is the last major derelict plot in the inner harbour. The second scheme is Cardiff Waterside which is planned to include 700,000sq ft of office space on four sites in the Bay totalling 6.4 acres.

If Swansea can follow Cardiff Bay's success as a potentially huge focus for new commercial activity then there are

exciting times ahead for the city. Construction started last October on what will be the tallest residential building in Wales. The 29 story Seagate Tower at Ferrara Quay in Swansea is due to be completed in May 2008. The tower will provide 20,000 sq ft of offices, retail and leisure space, and 250,000sq ft of residential accommodation amounting to 291 flats, costing £56m overall.

The facelift to Carmarthen town centre is gathering pace. The St Catherine's Walk shopping centre in which Debenhams has already pre-let 86,000 sq ft will also house Gilesport and Apollo Cinemas. Lettings to twenty three other shops will be announced by the developer shortly.